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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2004(28)

INFORMATIONAL PUBLICATION

Paying Connecticut Taxes by Electronic Funds Transfer

Purpose: This Informational Publication explains the requirement for paying taxes electronically.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-685 to 12-689, inclusive; Conn. Agencies Regs. §§12-689-1 to 12-689-4, inclusive.

1. What is an electronic funds transfer?

Electronic Funds Transfer (EFT) is an electronic method of making a payment. An EFT is handled through the Automated Clearing House System (ACH), a nationwide network that electronically transfers funds.

2. Who must pay by EFT?

Effective July 1, 2004, taxpayers whose prior year liability for a particular tax exceeded \$10,000 for the twelve-month period ending the preceding June 30 for monthly and quarterly tax liabilities or for the preceding taxable year for annual tax liabilities, and who are notified by the Department of Revenue Services (DRS) to pay that tax by EFT, must pay the tax by EFT.

3. Will I always be required to pay that tax by EFT?

No. Each year DRS reviews your prior year liability for a particular tax. You will be notified by DRS if you are no longer required to pay that tax by EFT, but you must continue to pay by EFT until DRS notifies you that you no longer are required to do so.

4. How do I register for EFT?

Complete **Form EFT-1, Authorization Agreement for Electronic Funds Transfers**, indicating your choice of EFT method and providing the required bank information. After we receive your completed Form EFT-1, DRS will send additional information and instructions to your designated contact person.

If you voluntarily use *Fast-File* to file your tax return and initiate payment of a *Fast-File* eligible tax and you **are not required** to pay that tax by EFT, you do not need to pre-register. You also do not have to complete Form EFT-1.

If you **are required** to file electronically and you use *Fast-File* to file your return and initiate payment of a *Fast-File* eligible tax, you must complete Form EFT-1 to pre-register with DRS.

5. May my paid preparer or accountant serve as my primary EFT contact person?

Yes. DRS recommends, however, that your primary contact person be the person making the EFT payments. In designating a contact person, remember you are responsible for the timely payment of your taxes even if you designate someone else as your contact person.

6. How do I report changes in registration information I entered on Form EFT-1?

You must contact the DRS EFT Unit at **860-297-4973** to report a change in your EFT method, bank information, or other changes in your registration information. If the only change you have to report is to your bank information, **and** you use *Fast-File* to initiate your payments, you can make that change using *Fast-File* at **www.ct.gov/DRS**. Click on *File/Register On-Line*.

7. May I make payments using EFT even though I am not required to do so?

Yes. If you choose to make payment by the ACH credit or the ACH debit methods, you must first contact the DRS EFT Unit to register for voluntary payment of taxes by EFT. If you voluntarily use the DRS *Fast-File* system, you do not have to pre-register or to notify DRS of your intent to use *Fast-File*.

8. What methods may I use to pay my taxes by EFT?

You may use one of three methods to pay your taxes by EFT:

- Direct payment by *Fast-File* (for *Fast-File* eligible taxes),
 - ACH debit method, or
 - ACH credit method.
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9. What is *Fast-File*?

Fast-File is an easy way to electronically file a tax return for any eligible tax using the telephone or the Internet. *Fast-File* is available anytime, and also allows you to electronically pay the tax through an ACH debit transaction known as Direct Payment. You may access *Fast-File* by the Internet at www.ct.gov/DRS or by telephone at **860-947-1988**.

10. What are *Fast-File* eligible taxes?

Fast-File eligible taxes are sales and use taxes, business use tax, room occupancy tax, business entity tax, Connecticut withholding tax, and estimated corporation business tax payments. The business entity tax and estimated corporation business tax payments may only be made on the Internet and not by telephone.

11. If I am required to pay my taxes by EFT, must I electronically file my return?

Yes. All taxpayers required to remit sales and use tax and withholding tax by EFT must also file their returns for this tax electronically using *Fast-File*. Payroll service providers can also file state and federal tax and wage reports for withholding tax over the Internet using the Federal/State Employment Taxes program. However, Form CT-1120 may not be filed electronically and must be filed using a paper Form CT-1120.

12. What if I voluntarily pay my business taxes by EFT?

If you voluntarily pay by EFT, you are not required to file your returns electronically. However, we encourage using *Fast-File*.

13. Will I still receive paper returns in the mail?

No. DRS no longer mails a pre-printed copy of the following forms to taxpayers required to electronically file their tax returns:

- **Form OS-114**, *Sales and Use Tax Return*;
 - **Form CT-941**, *Connecticut Quarterly Reconciliation of Withholding*;
 - **Form CT-945**, *Connecticut Annual Reconciliation of Withholding for Nonpayroll Amounts*;
 - **Form CT-WH**, *Connecticut Withholding Tax Payment Form*; and
 - **Form CT-8109**, *Connecticut Withholding Tax Payment Form for Nonpayroll Amounts*.
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14. How does the ACH debit method work?

With the ACH debit method, you authorize DRS to initiate the EFT by providing the amount of the payment and the date of transfer. If you are making a payment of a *Fast-File* eligible tax, you initiate the EFT either using *Fast-File*, which uses the ACH debit method, or making a toll-free call to the DRS service bureau by calling **1-800-733-8872**. If you are not making a payment of a *Fast-File* eligible tax, you initiate the EFT by making a toll-free call to the DRS service bureau. If you call the DRS service bureau, you may use either the touch-tone menu or speak to the service bureau operator to authorize the amount of the payment and the date of transfer.

15. How does the ACH credit method work?

With the ACH credit method, you (**not** DRS) initiate the EFT through your bank. In coordination with your bank, you format your payment, your Connecticut tax registration number, the tax type, and the tax return filing period. You must ensure your bank can perform its part of the transaction using the ACH standard CCD+TXP format; otherwise, you must use the ACH debit method.

16. What are the advantages of the ACH debit method?

ACH debit transactions can be error-free when sent to the banking system because extensive editing and data correction are performed before the EFT is initiated. When using *Fast-File*, you are given a confirmation number to verify your tax return has been filed. If you file by the Internet, a requested payment date indicates that the payment has been successfully initiated. When you call the DRS service bureau, you are given a trace number to verify you have initiated your payment.

17. Which payment method does DRS recommend?

DRS recommends the *Fast-File* ACH debit method (direct payment) for *Fast-File* eligible taxes. *Fast-File* allows you to simultaneously file your returns and pay your taxes electronically. For other taxes, we recommend the ACH debit method. ACH debit transactions are virtually error free and generally less costly to the taxpayer.

18. If I authorize DRS to debit my account to pay my taxes, will DRS have access to my bank account for any other purpose?

No. DRS will not have access to your account for any other purpose. You must initiate any other payments. Access codes and passwords ensure that only you can authorize the transfer of funds from your bank account to the DRS bank account and the funds are applied to the proper tax account.

19. May I use other EFT methods besides the ACH debit and ACH credit methods?

No.

20. May I change my EFT method at any time?

Yes, but only with prior approval from the DRS EFT Unit.

21. What are the due dates for paying by EFT?

- If you are required to pay a tax (other than withholding tax) by EFT, DRS' bank account must be credited for the amount of your payment on or before the due date.

- If you are required to pay Connecticut withholding tax by EFT, DRS's bank account must be credited for the amount of your payment on or before the next business day following the due date.
 - If you registered with DRS for voluntary payment of a tax, DRS's bank account must be credited for the amount of your payment on or before the next business day following the due date.
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22. How do I ensure my payment is timely?

If you are required to pay electronically and are using *Fast-File* or the ACH debit method through the DRS service bureau, you must initiate your transaction no later than 4:30 p.m. eastern time on the last banking day prior to the due date. For example, if the due date of the return is Monday, you must initiate the transaction no later than 4:30 p.m. eastern time on the preceding Friday. If you use the ACH credit method, consult your financial institution for information.

23. How do I prove I made a timely ACH debit transaction?

Your bank account will show a debit on or before the due date.

24. How do I prove I made a timely ACH credit transaction?

You must submit documentation from your bank showing your payment was initiated in time for settlement into our bank account on or before the due date.

25. When is the payment due if the due date falls on a weekend or legal holiday?

If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date. For an ACH debit transaction, you must initiate the EFT no later than 4:30 p.m. eastern time on the last banking day prior to the weekend or holiday. For an ACH credit transaction, contact your bank for information. Legal holidays are New Year's Day, Martin Luther King Day, Lincoln's Birthday, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving, and Christmas. For this year's holiday schedule, go to www.ct.gov/DRS and click on Electronic Services. Then choose the Electronic Funds Transfer page.

26. Is there a penalty for a late tax payment by EFT?

Yes. Penalties for late EFT payments are:

- 2% of the tax due for EFT payments not more than 5 days late;
- 5% for EFT payments more than 5 days but not more than 15 days late; and
- 10% for EFT payments more than 15 days late.

Interest is charged at the rate of 1% per month or fraction of a month from the due date until the date of the payment.

If payment is delayed for reasons beyond your control and you are able to prove to the satisfaction of DRS that you exercised due diligence, the penalty may be waived.

27. May I pay by check if I am required to pay by EFT?

No. Payment by check does not meet your obligation to pay by EFT and subjects you to a 10% penalty, *even if DRS's bank account is credited for the payment on or before the due date.*

28. If I have a problem initiating an ACH debit transaction, whom should I call?

If you have a problem initiating an ACH debit transaction, contact the DRS EFT Unit in sufficient time to correct the problem.

29. When are the funds actually withdrawn from my bank account?

For ACH debit transactions, you determine the date of withdrawal by the *effective date or requested payment date* you enter when you initiate your transfer. For ACH credit transactions, you must contact your financial institution for withdrawal dates.

30. If I use the ACH debit method, may I make my authorization call early and not have my bank account debited until the due date?

Yes. Your payment information may be warehoused for up to 30 days. Your payment will not be withdrawn from your account until the date you specify as an effective date. If you use *Fast-File*, you may specify a requested payment date on or before the due date.

31. May I make multiple payments by EFT?

Yes. For the ACH debit method through the DRS service bureau, follow system instructions. If you use the ACH credit method, you initiate multiple payments by EFT through your originating bank.

32. What if an emergency prevents me from making a timely EFT payment using ACH?

You should contact the DRS EFT Unit immediately for instructions. You may be permitted to make your payment using the Fedwire method. If DRS is not satisfied an emergency exists, your payment by Fedwire will be treated as a late payment.

33. Is it possible to cancel or correct an EFT?

Yes. You can cancel or correct an ACH debit transaction made through the DRS service bureau before the cut-off time on the day you initiated the transaction by calling 1-800-669-3110. Contact the DRS EFT Unit if a payment error is discovered too late to change the EFT or if you need to cancel a payment made through *Fast-File*. For an ACH credit transaction, follow your bank's instructions.

34. How do I report no tax due?

If you do not owe any tax, an EFT is not required. However, a return must be filed timely even if no payment is due.

35. How am I notified of underpayments?

DRS will send you a bill. All bills provide the name and telephone number of a contact person if you have questions.

36. May I pay bills by EFT?

Payments of bills for Connecticut withholding tax, corporation business tax, and insurance premiums tax must be remitted by check. For all other taxes, you may pay bills by EFT. However, to ensure proper application of the payment, a separate EFT must be made for each tax period.

37. What if I make an overpayment?

If there is an overpayment, you will be notified or the funds will be refunded.

38. May I apply an EFT overpayment to my next return?

Yes. You may request to have the overpayment applied to your next EFT return.

39. When is my tax return due?

If you are required to pay your sales and use taxes or withholding tax by EFT, you must use *Fast-File* to file your tax return electronically. If you initiate a payment of sales and use tax through *Fast-File*, you must complete your filing by 4:30 p.m. eastern time on the last banking day prior to the due date. If you do not initiate payment through *Fast-File*, your tax return is due on or before the due date. If you initiate a payment of withholding tax, you must complete your filing by 4:30 p.m. eastern time on the due date. The return is due at the same time as the payment.

For taxes you are not required to file electronically, your return is filed timely if received or if the date shown by the U.S. Post Office cancellation mark is on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

40. Is a penalty imposed for the late filing of a tax return if payment of the tax is timely made?

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report required by law to be filed.

41. Are there exceptions to the requirement to file tax returns?

Yes. If you are required to pay electronically, your electronic payment eliminates the need to complete and file a paper **Form CT-WH** or paper **Form CT-8109**. You are also required to file electronically. Use our *Fast-File* system to file your **Form CT-941** or **Form CT-945** electronically and to pay your withholding tax. Using *Fast-File* eliminates the need to complete and file a paper Form CT-941 or Form CT-945.

If you are not required to pay electronically, but have agreed to pay electronically, you are not required to file electronically, but may choose to do so. Your electronic payment eliminates the need to complete and mail a paper Form CT-WH. If you choose to file electronically, you may use our *Fast-File* system to file your Form CT-941 or Form

CT-945 electronically and to pay your withholding tax. Using *Fast-File* eliminates the need to complete and mail a paper Form CT-941 or Form CT-945.

However, Form CT-W3 may not be filed electronically and must be filed using a paper Form CT-W3.

Taxpayers are not required to mail estimated tax coupons for corporation business tax, insurance premium tax, or health care center tax, when they make estimated tax payments by EFT or use *Fast-File* to make estimated corporation business tax payments. If an additional payment is due with a corporation business tax return, insurance premiums tax return, or health care center tax return or with a request for extension of time to file the return, the payment must be made by check.

42. What should I do if I overreported or underreported a tax I paid by EFT?

You must amend your tax return in the same manner you would if you did not pay that tax by EFT. You must pay any additional tax due by check or money order with the amended return. You cannot file an amended return using *Fast-File*.

Effect on Other Documents: Information Publication 2003(25), *Paying Taxes by Electronic Funds Transfer*, is modified and superseded and may no longer be relied upon.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For More Information on EFT: Call the DRS EFT Unit at **860-297-4973**, during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, or email the EFT Unit at **ct.eft@po.state.ct.us**

Forms and Publications: Forms and publications are available anytime:

- **Internet:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select

from the menu. Only forms (not publications) are available through TAX-FAX.

- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use ***Fast-File*** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on ***File/Register OnLine***.

- **For resident income tax returns:** Use ***WebFile*** to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on ***File/Register OnLine***.

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